



Libya Trucks and Buses Company Co,

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Abstract:

Nowadays, many companies in this world are looking to improve their investments in different fields by developing their business strategic and management; however, many factors always have to be considered when choosing the best investment with high potential profit. Trucks and Buses Company (TBCo) management decided to change its strategic management by developing its production plant to hold the leadership position in Libya and Africa. The new company's strategy targeted the Tripoli's manufacture by developing the assemble lines with the last technology in this field. The change will lead the company to maintain its market share and keeping its competitive advantage in the domestic and Africa market. Before the final decision of the change, several brainstorming sessions took place to evaluate the company new strategy. In 2012, I was involved in the company's initial decision evaluation processes as one of the consultants' people who invited to support the company's decision for the change. Therefore, I mainly depended in this project on my own experience in the strategic and project management, and the available information and data from my previous contribution in the company's discussions. Also, I targeted the ETM-526/626 class material and techniques to help me evaluating the change with considering the competitive advantage requirements. Finally, I proposed some solutions and recommendations that can be useful for the company's final proposal.

Introduction:

Recently, the strategy has been a business buzzword among industries sectors. Top executives consider strategic as objectives and missions. Other managers from different levels lay out strategies for everything from R&D to raw-materials sourcing and distributor relations. As experienced and noticed, not all companies have a clear managed strategy, in spite of some of them are well known in the industrial market. As shown in figure (1) the five-stage process illustrates the need for management to evaluate a number of external and internal factors in deciding upon a strategic direction, a suitable objectives, and approaches to crafting and executing strategy. Almost very early in the strategy making process, a company's senior managers must struggle with the issue of what directional path the company should take. The company should realizes that its prospective can be improved by changing the product offerings and/or the markets in which it participates. Also, it should has a clear justification of the change by presenting strategic attractive opprtinuites for growth and profitability [1]. The challenge of the change has pushed most of companies to generate sophisticated, uniquely effective strategic and planning techniques. However, most of times these techniques do not achieve the main strategic goals of the change without clear vision from the decision makers.

Companies have started to realize the development of their firms and production should considering as a project processes. Gary explained that the project should consider with different ways, the project's demand could be successful and unique. Meeting project targets, project efficiency, customer and organizational improvement are the main elements for the improvement [2]. In addition, the information that need to plan and manage any project for the change is very important to collect and address as soon as the project started in the define stage which determine the concept and the scope of the project. The more understanding of the strategic goals and the vision of the change including the management ability will be more likely to lead into a successful change. The way to change and develop industrial companies is always searching to develop their productions by introducing the new technology in their manufacturing operations. Most companies have started to use full computerized machines in their production processes and others still depend on some manual machines. Therefore, in this class's project I will cover one of the important companies in Trucks and Buses manufacturing and assembling industry, Libyan Trucks and Buses Company (TBCo). The TBCo management decided to change for the competitive advantage internally and externally. My strategy in this project to start analysing the current situation of TBCo by using 526/626 class material feedback as a fundamental approach to structure my report. Also, the Porter's five forces completion tool supporting by SWOT analysis

technique will help me to justify the clear current situation and the potential future strategy of TBCo.

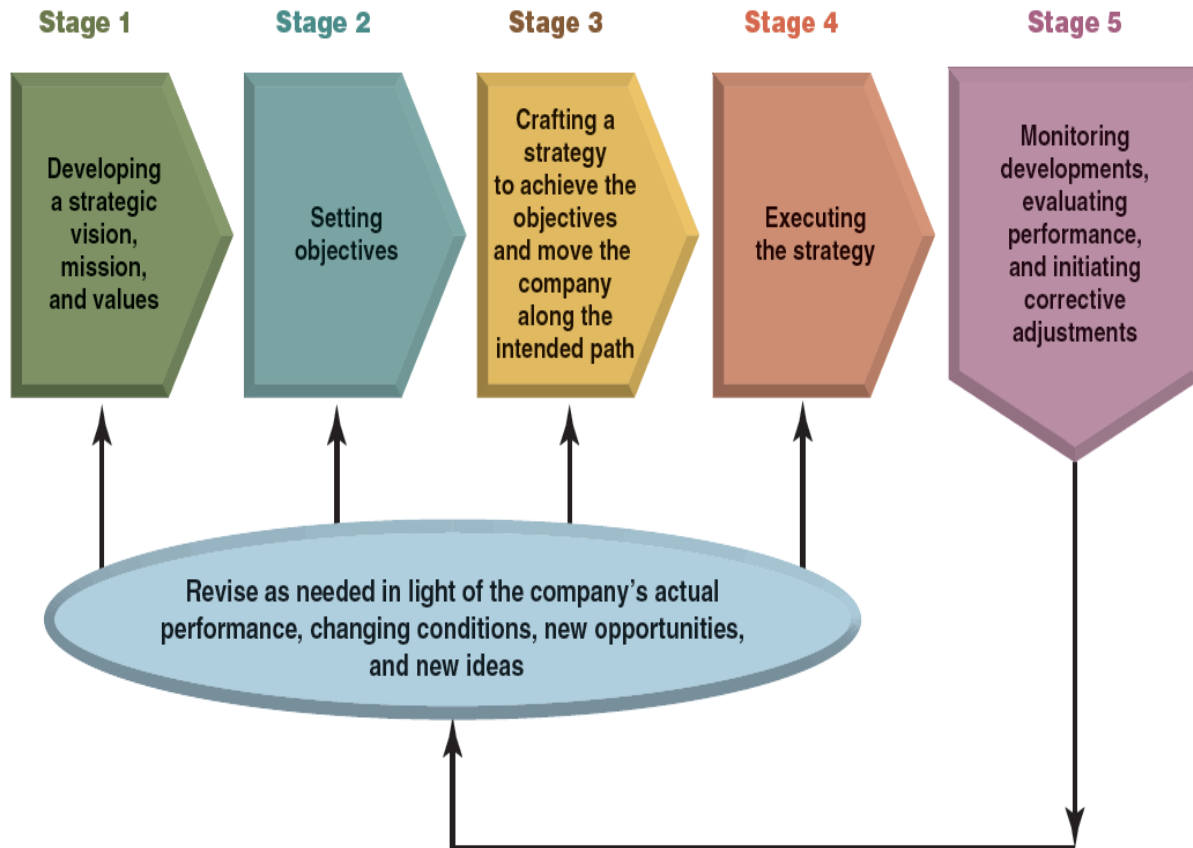


Figure .1 The Strategy-Making –Executing Process

TBCo History

Trucks and Buses Company (TBCo) is a company with about 20 years of exceptional experience in engineering, manufacturing assembling and marketing of trucks and buses. Also, the company provides all spare parts and components of its production. The TBCo was created in 1996 as a joint venture between the Libyan

government and Italian FIAT Company (IVECO). The company certified by TUV Management Service GmbH (ISO 9001: 2000).

TBCo is a company in industrial sector that have some issues in its production performance such as delay in the production processes and many registered complains from its customers. Recently, the company top management decided to change the manufacturing processes from manual to automatic technology by using a new computerized control machines with automatic tool changing. The company has a good reputation with a long history since its part of IVECO Italy. TBCo had a good competitive advantage in the Africa market among other companies in this field. The company current factory layout is process based (similar machines grouped together). The factory machines are dependent on manual control tools which are used by old designed machines. The production sometimes stops and waits for days on a shelf or the floor between the production stages or machines. The company depends on an experienced and motivated workforce with traditional skills.

TBCo New Strategy:

After the Libyan revolution against Al-Gadaffi regime in 2011, the company management has got a full support from the new government to extend its production capacity. In spite of, Libya is still suffering from the uncertainty in the political and

economy situation, lately of 2012 the company has started working with internal and external experts to evaluate the required change and its challenges. The challenge of the change has pushed these experts to think wisely for generating sophisticated, uniquely effective strategic and planning techniques. However, as experienced most of times these techniques do not achieve the main strategic goals of the change without clear vision from the decision makers.

The main reason for the change:

The TBCo has a full order production booking, but its customers are complaining about long ahead times and some important orders have been lost as a result of this delay. So, the company management from both sides (Libya & Italy) realizes that while the current situation in Libya is still unstable, the strategic management change should be carried out by a clear justification of the new strategic change and managing its challenges.

TBCo Products Specification:

- Light Trucks

Pick Up35-1230004x2GVW 3. 5tons on road

Pick Up52-1239504x2GVW 5. 2tons on road



- Medium Trucks

Chassis Cab ML90E18H36904x2GVW 9Tonson road

Chassis Cab ML90E18H48154x2GVW 9Tonson road

Chassis Cab MLC100E21W36904x4GVW 10Tonsoff road



- Heavy Trucks on road, off road

Chassis Cab AT190T38H42004x2GVW 19Tonson road

Chassis CabAT190T38H51004x2GVW 19Tonson road

Chassis CabAT190T38WH42004x4GVW 19Tonsoff road

Chassis CabAT380T38H35006x4GVW 38Tonson road

Chassis CabAT380T42WH38206x6GVW 38Tonsoff road



- Buses

TBCo makes several types of passenger capacity from *16 up to 47* passengers including its spare parts.



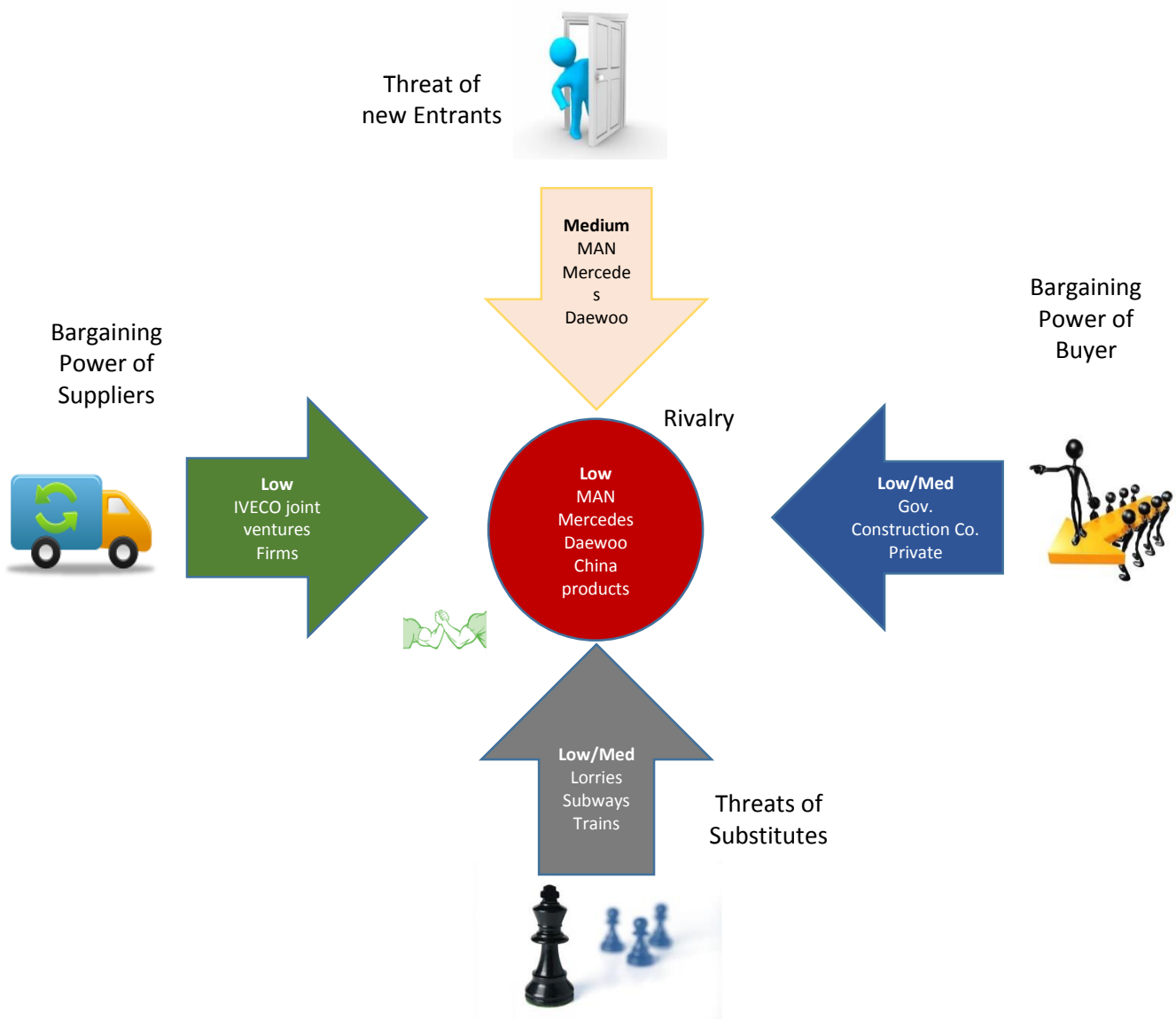
Porter's five forces completion model

Literature review

Basically, the strategists see the competitive pressures as something based on the five forces of Porter: bargaining power of customers, bargaining power of suppliers, threat of new entrants, threat of substitute products, and competitive rivalry within an industry. Farooqahmad explained the Porter's 5 Forces as environmental forces that impact on a company's ability to compete in a given market. The purpose of five forces analysis is to diagnose the principal competitive pressures in a market and assess how strong and important each one is [3]. Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes. Daveni indicated to the companies don't know to manage sufficiently the competitive pressures exerted by their competitors. Even though it's difficult, it's vitally important for any organization to understand the pressure system that rules any given industry [4]. Most of cases the five forces analysis helps organizations to understand the factors affecting profitability in a specific industry, and can help to inform decisions relating

to: whether to enter a specific industry; whether to increase capacity in a specific industry; and developing competitive strategies.

Applying porter 5 forces for TBCo



1. Threat of new Entrants (Medium):



It is not easy for a new entry or new competitor to enter into trucks and buses industry, especially in Libya and Africa. FIAT Company, IVECO brand has showed loyalty of customer since 30s. However, some of the well-known companies such as MAN, Mercedes and Daewoo entered into the domestic and Africa market by some construction companies. The expansion of the foreign entrants (MAN – Mercedes - Daewoo) decreases the market of TBCo production in both domestic and Africa market.

2. Bargaining Power of Suppliers (Low):



The bargaining power of TBCo's suppliers can be considered "LOW" because the company is a joint venture between Libya government and FIAT. This joint venture helps TBCo to get its production raw materials and spare parts directed from the mother company (FIAT). Furthermore, there are numerous suppliers rely on some particular truck and bus manufactures to buy their products.

3. Bargaining Power of Buyer (Low/Medium):



The bargaining power of buyer is considered low/medium because TBCo is still control on the domestic and Africa market by about 85% and 62% respectively. Also TBCo is always introducing in the market new models with more features. The company uses the customer's feedback to improve its products and most of company's customers are government or construction companies. The company's customers mostly focus on the product quality more than the product price because they use the TBCo's product for heavy and tough works.

Since Libya and Africa are still considering as a developing countries, the market is thirst to the new infrastructures and investments. However, new policies have started implementing in these countries and led the company's customers to be more interest to the developed trucks and buses. Also, because of the global warming and other environmental effects, a lot of the foreign manufactures make their products unique in order to protect the environment. So, some of TBCo customers have started to negotiate for having a competitive product.



4. Threats of Substitutes (Low/Medium):

The threat of substitutes for truck's product can be considered "LOW" while bus's product is "MEDIUM". Trucks are used for heavy works and the other substitutes as Lorries or Train cannot make TBCo's product duties and flexibility. Several kinds of automobiles and street cars are only a threat for short distance and less capacity comparing to the buses. However, bullet and fast train are only a threat for long distance and high capacity passengers.

5. Competitive Rivalry between Existing Players (Low):



Competition from rivalry can be considered "LOW". TBCo is a solo manufacturing company in Libya that makes buses and trucks. Also, IVECO has a big market share in Africa with 62% among other companies such as MAN, Mercedes, Daewoo and some heavy trucks products from China. In spite of, these

foreign companies are recently appearing in the Africa market, the customers in Africa still prefer IVECO as the first priority of their choice. IVECO customers in both markets, domestic and Africa, believe that FIAT is the ideal product that can hold out the cruel environment state in Africa.

SWOT analysis

Literature review

On the other hand, Irwin indicated that the external environment (the external force that effects on the investment) and the marketplace factors should include a good justification regarding the opportunities (advantages might increase the business profit) and the threats (issues or problems might effect on the business or project's progress). Also, he stressed that if the first justification (the concept and the business plan) does not do yet, the strengths and weaknesses should be considered immediately [5]. In the same subject, Maculle defined that the S.W.O.T (strengths, weaknesses, opportunities and threats) analysis is a suitable technique that can help people to make the right business decisions. Including, how it can use to evaluate and support the project's portfolio [6].

Applying SWOT for TBCo

SWOT is a structured strategic planning method usually some companies use it to evaluate the strengths, weaknesses, opportunities and threats that involve in their projects or in business ventures. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favorable and unfavorable to achieve that objective. In TBCo case, SWOT will help to analysis the overall company's strategy to understand some gaps that didn't show up in the previous analysis by Porter five forces model.

1- STRENGTH

INTERNAL / HELPFUL

- The company makes a different models
- It has a full order production booking
- It has long established and created from FIAT company
- Highly skilled workforce
- Motivated workforce
- Also, it has a good reputation in Libya and Africa market

2- WEAKNESSES

INTERNAL / HARMFUL

- Long way/delay times and lost some important orders
- TBCo depend on manual operator machines with hand control and setup
- High inventory
- Design and some detailing of components are making by hand
- Most of the company's employees do not have enough experience or knowledge about the new technology.

3- OPPORTUNITIES

EXTERNAL / HELPFUL

- Work with high technology such as CNC machines lead to competitive advantage in local and Africa market
- Delivery on time / high performance
- Reduce the cost of manufacturing and increase the company's profit.
- TBCo should use the strength points as a motivation to get success.

4- THREATS

EXTERNAL / HARMFUL

- A strike and complaints from some workers being laid off.
- Decline of the company reputation.
- High risks in new investments.
- Potential threat of new entrants
- Continue a political instability and security issues in Libya.

Discussion

We can see from the (S.W.O.T) analysis above, the actual current situation of the company, which has some advantages and disadvantages in its potential new strategy. The new strategy aims to push the company through the competitive advantage by implementing a new technology to covering all previous and next orders, as well as satisfying its customers. Therefore, the beginning of the change should follows the prior discussions of expert's sessions and starting with the market feasibility study to make sure that the company can reduce the risks of the change. During this analysis the company top management might use some useful decision-

making techniques such as AHP or HDM to take the right decision for meeting its business strategy and goals. In one of IOWA State University high level statements regarding the successful business, they mentioned the conducting a feasibility study is a good business practice. If you examine successful businesses, you will find that they did not go into a new business venture without first thoroughly examining all of the issues and assessing the probability of business success [7]. Due to the evaluation of the current situation of TBCo the qualitative assessment is the ideal manner for starting to evaluate the new strategy and the data can be observed but not measured. If the qualitative appraisal outcome was not enough to achieve the company's stockholders and management satisfaction, the recommendations will indicate automatically transferring to the next stage as a quantitative analysis. The quantitative analysis can be carried out by other professional people who have a major in finance. The quantitative appraisal depends on the data and facts of the company's current situation and its future financial forecasting. The company's new strategy intends to implement new computer-controlled machining centers (CNC). The CNC technology has many benefits to serve most industrial requirements with low costs. The CNCs are flexibility machine tools with unbelievable accuracy and repeatability specifications. Galloway explained that the CNC is a machine linked and controlled by the computer and it does not need operators, it is a programmed machine and some half controlled machines need operators [8]. Moreover, this

machine is easy to setup and control with a personal computer. So, these types of computerized machines help industrial companies to overcome the production time delay. The CNC machines can cope with a range of products in minimum downtime. Industrial companies have started to use this technology to improve their product's quality and deliver its production on time. The main objectives of implementing this technology are to achieve a minimum production downtime, high productivity and customer satisfaction. Also, the company is required to realize some workforces due to the implementation of the CNC machines in the production line. Furthermore, the company's shareholders need to know about the cost of this change and the impact of this change on the company's reputation.

There is no doubt, that the company's stakeholders are very important element in the project. Stakeholders who are the company's managers, employees and their families, governments, workers and trade unions, communities, customers, suppliers and the shareholders. All these stakeholders have direct and indirect effects on the company decision whether to change the production line from manual to automatic or not. All important decisions form the change idea to the initial plan until the discussion for the change are made by the most key players of TBCo's stakeholders. It is not enough to satisfy the customer demand, the company should get a full support from all the company's stakeholders for a successful change and high profit investment. So, the company should deal with the change as implementing a new

project with uncertain risks. Usually, stakeholder management and project resources are considering as important factors that lead the project to the success or fail.

Cleland stated that the successful project management can be started by the project manager who is the responsible to manage the project's stakeholders [9]. Therefore, TBCo should take into account all the company's stakeholders should be satisfied before start to implement the new machines and upgrade the manufacture production line. The project manager should explain the project's expectations to get more support from the stakeholders. However, the project management and the top management of the company should expect the rejection from some or all stakeholders. This reject can be related to many factors such as finance or the company's reputation. So, the company's top management and the project manager should have more evidence and facts of the potential profitability achievements from this technology.

Also, some workers can be affected by this change; most of them might lose their jobs due to implement the new machines. However, some of them might have a chance to maintain their job and deal with the new manufacture system. The CNC is a computer programmed machine that has many benefits to the production's efficiency and its operator. The CNC machine can reduce the operator's fatigue and mistakes that might cause due to human errors. Therefore, TBCo should be honest and set with the company workers in groups to explain the reason of the change and

the current situation of the company. Also, to give them a clear idea regarding the benefit of implementing the new system to the company's business. Moreover, the company's management should give them their attention and let them asking with more listening. The communication between top management and workers should be successful to achieve the workers' satisfaction.

TBCo's customers also are very important stakeholders. Irwin explained that if you have not yet started in business, then you will have to start from scratch and that might include for example, customer reaction to the product, where customers are situated, the best way to reach them and demand for a product or service [5]. Therefore, the company should consider that the customer's satisfaction is the main goal of its change. This goal can be achieved by implementing a good relationship between the company and its customers. Maintaining the satisfaction of TBCo customers by providing in the production lines new high technology in future, the company's product will lead to increase the company's sales and profit in future. Moreover, involving the company's customers for any change in the company planning may lead to create new ideas that might be important to reduce the costs and unknown risks. The communication with customers is easy to handle now by using communication facilities such as the telephone, fax, and e-mails to meet all customers and make them flexible to get their feedback from their original bases or locations.

In additional, the supplier should be involved in the company's new plan. The company should have a good relationship with the suppliers especially, after implementing the new technology in its production line. The company aims to improve its performance and deliver its products on time, while the supplier should deliver the raw materials as planned. Furthermore, the supplier should meet the supply chain specification such as the quality, speed, and the acceptable cost.

The government also has a big role for the change. Implementing a new computerized system and releasing the workers from their jobs might effect on the collection taxes for the government. Also, the government might suffer from the increase of the unemployment number and arguments from the workforce unions. Therefore, the government is responsible on providing the social security benefits to workers who might release from their jobs or to guide them through other job opportunities. Therefore, the best way to solve this issue, TBCo should involve the government in this issue to avoid any negative impacts on its reputation due to release the workers.

Kemp argued that the risk should be considering carefully, the big risk of any business can be harder to bring under the control [10]. Risk is always associated with change the business strategy in order to implement it as project processes, large projects carry large risks and small projects carry little risks. The risk might lead to many issues in the project and sometimes makes failure in the project expectations

such as the cost and the project delivery time. The project management now has many techniques and procedures to help companies to reduce risks. Furthermore, the project management is a process of thinking systematically about all possible unacceptable outcomes before they happen and manage its procedures. The project management processes will protect the company against the negative impacts. Therefore, TBCo should take into account the addressed and treated risks as early as possible to achieve good results and an acceptable profit. As TBCo consider as a large company with high production capacity. The change might needs a high cost, so the risk factor is likely to be high in most tasks. The company should determine sources of risk to reduce the risk factor. The sources of risk consist from some factors such as environmental, political and societal, legal, commercial, technical and operational, and the human factor.

In their study, Turner and Muller found that a project manager should have good competence and leadership skills. As cited in Bakar, Razak, Karim, Yusof and Modifa (2011) [11]. Also, the same researchers' group highlighted that the project manager should have management knowledge and research skills that include development research, manufacturing techniques and distribution strategy. The project manager plays the main role to push the company to achieve the required strategic change. The change key players should have three types of skills, these skills are basic in the leadership management and all leaders are required to have it

as part of their qualifications. The first skill is known as the human-being skill that leads to reinforce the relationship between the change lead and the team. The second skill is the technical skill which is the change lead or the PM should have enough experience about the technical side of the change process especially; CNC machines. So, the change lead should be able to explain the technical side of the change process status, the progress, and the issues to the stakeholders. The last skill is the thinking skill, the change lead should have a good assessment skill to the potential risks and ability to manage these risks before it happens. The change lead should manage all worker's tasks on the machines by scheduling their work time for example, each worker should work on all machines commutatively to overcome their boring state and prevent their tiredness.

Cleland stated that teamwork is an effective device in any organization [9]. Good morals are beneficial to teamwork because morals have more to do with attitudes toward work than it have to do with the work itself. So, managing the workers and involving them in teamwork is not an easy task. The change lead or the project manager should share ideas with the project team and establish high levels of innovation within workgroups. Moreover, the trust and share of the information freely between the manager and team might be more effective to the project's success. In addition, the change lead and his team should always be consistently open and honest with each other. Therefore, the company top management should

establish a department such as training or fitting department to create and follow up on typical teamwork.

According to the training, Donovan, Maritz and McLellan identified that skills-based learning is suited to improve the achievement and innovation management [12]. TBCo's current analysis showed that most of the plant employees do not have enough experience or knowledge about the CNC machines. Furthermore, the company has manual operator controlled machines and the new CNC machines need higher operator's skills. The company can achieve this objective by managing training courses for workers. Therefore, the company should manage all training requirements based on the new technology.

Galloway explained that the control is important task for the change and linked to the available information of any addressed problem and considered the problem for the whole project [8]. The control is part of the project management discipline comprised of several prominent sub-disciplines, such as cost engineering, risk management, estimating, planning/scheduling, and so forward. The process of controlling activity is more complex than might be expected because there is some difficulty to determine what is to be controlled, and how it will be measured. The control and evaluation are required in each stage of the change stages, it is the warning indication when the problems starting to appear in the new strategy implementation stage. The company can change any task early by identifying the

problem and solving it with minimum risk impacts, sometimes without change in the value of the estimated cost. In addition, the control will be helpful for CNC machines because the machines need maintenance processes. Therefore, CNC machine should be under the control to maintain its lifetime, quality, and productivity.

Conclusion

The FIAT/IVECO is the most integrated experience in outsourcing in the Trucks and Buses industry worldwide. While TBCo has a close relationship with FIAT/IVECO, The transfer to the new strategy can be likely minimum to medium risk. The expectation of the change outcome will not be visible during one year from resuming the company's production with the new strategic plan. Also, SWOT analysis showed some internal challenges that might lead the company to consider the first year of production is not enough to derive the new strategic outcomes; this will only be possible at least one years after the beginning of the normal production. Overall, TBCo has close balance between Strengths and Weaknesses. Also, the company has good opportunity to manage and transfer the Weaknesses to be Strengths.

In addition, the Porter's five force completion analysis showed that the TBCo has strong position and encouragement long period of future business in Libya and Africa market. The risk of the change with new strategic management can consider as average of medium.

As mentioned early TBCo has taken advantage of some opportunities that offered by the Libyan government and FIAT/IVECO company.

On the other hand, some important and significant constraints cannot be denied such as work and trade union regulation, commercial laws, taxation procedures, a complex co-ordination process related to different partners (Libyan & Italian), with different cultures, approaches and methodologies, and the risk of losing the core business.

Certainly, this new strategic management with unstable in the political situation in Libya can be a big challenge but it can be good opportunity to re-shape the company's business with the new national strategy. Its success could deeply affect the conception and design of new plants in Libya. It is a case to be closely followed and studied in the near future by using some innovative methodologies to help the company to evaluate its strategic plan frequently. Also, other existing methodologies such as Value Engineering (VE), Risk Analysis (RA) ...etc. can be used to improve the reliability of the company strategic plan, development, and delivery.

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